COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

NOTICE OF ADJUSTMENT OF RATES AND CHARGES OF SOUTH CENTRAL RURAL TELEPHONE COOPERATIVE CORPORATION, INC., TO BE EFFECTIVE FEBRUARY 1, 1982	)	
AND	)	CASE NO. 8433
APPLICATION OF SCRTC, INC., FOR ORDER PERMITTING ADJUSTMENT OF RATES	)	

O R D E R

On December 30, 1981, South Central Rural Telephone Cooperative Corporation, Inc., ("South Central") filed an application with this Commission giving notice of an adjustment of rates to become effective February 1, 1982. The proposed rates would produce additional revenue of $1,205,881 annually, an increase of 23 percent based on normalized test year revenue. By Commission Order, the effective date of the proposed tariffs was suspended until July 1, 1982, pursuant to the provisions of KRS 278.190.

On January 7, 1982, the Consumer Protection Division of the Attorney General's Office ("Attorney General") filed a motion to intervene in this proceeding, which was sustained. A meeting was held in Glasgow, Kentucky, on March 23, 1982, for the purpose of receiving public comment and testimony with respect to the proposed rate request. A hearing was held at the Commission's offices in Frankfort, Kentucky, on April 7, 1982.

Several subscribers of South Central complained of service problems at the public meeting held on March 23, 1982. South Central addressed some of the service problems in a service report filed at the hearing on April 7, 1982. However, several subscribers who testified at the hearing of March 23, 1982, were not contacted. Therefore, the Commission requested that all the subscribers who testified at the public meeting be called and that South Central file a supplemental service report, which South Central has done.

Briefs were filed with the Commission on May 10, 1982, by the Attorney General and on May 24, 1982, by South Central. On June 21, 1982, the Attorney General filed a reply brief in response to South Central's brief of May 24, 1982.

Commentary

South Central is a customer-owned telephone cooperative providing telephone service to approximately 17,000 subscribers in the Kentucky counties of Allen, Barren, Green, Hart, Larue, Marion, Metcalfe, Monroe and Nelson.

Test Period

South Central proposed and the Commission has adopted the 12-month period ending September 30, 1981, as the test period for determining the reasonableness of the proposed rates. In utilizing the historical test period, the Commission has given full consideration to appropriate known and measurable changes.

Valuation

Net Investment

The Commission finds from the evidence of record that South Central's net investment rate base at September 30, 1981, is as follows:

Utility Plant in Service	$30,494,366
Construction Work in Progress	12,339,115
Total Utility Plant	$42,833,481
Add:	
Materials and Supplies	$ 426,356
Prepayments	78,421
Sub-Total	$ 504,777
Deduct:	
Accumulated Depreciation	$ 7,915,178
Net Investment	$35,423,080

The Commission has adjusted the depreciation reserve to reflect the pro forma adjustment to depreciation expense found reasonable herein.

Capital Structure

The Commission finds from the evidence of record that South Central's capital structure at the end of the test period was $35,166,945 and consisted of $2,344,519 in equity and $32,822,426 in long-term debt.

The Commission has given due consideration to capital structure and net investment and other elements of value in determining the reasonableness of the rate increase requested herein.

Revenues and Expenses

South Central filed projected statements of income and expenses through 1984. South Central failed, however, to provide support for the statements as requested by the Commission at the hearing of April 7, 1982. Therefore, the Commission has not used projected amounts for rate-making purposes. The following adjustments have been made by the Commission to South Central's test period operating statement shown in Exhibit 2 of the application:

Employee Concession Rates

Local service revenues have been increased by $24,836 to reflect the elimination of employee concession services for rate-making purposes. It is the opinion of this Commission that rate-payers should not be required to pay increased rates to return this lost revenue to South Central.

Revenue Normalization

In arriving at its normalized test year revenue, South Central adjusted the actual test year revenue to reflect the revenue which would have been realized had the rates granted by the Commission in South Central's previous rate case, Case No. 7925, dated January 23, 1981, been in effect for the entire test period; however, South Central did not adjust the test year revenue to reflect increases in customers due to growth during the test year. Further, Exhibit 3 to the application shows that, upon approval of this rate increase, 1,787 residential one-party subscribers and 273 business one-party subscribers are to be changed from Block A to Block B rate group which will result in an increase of approximately $7,744 in revenue.

The Attorney General argued that the Commission should recognize increased revenues that will be received by South Central as a result of its upgrading of multi-party service and should adjust revenues to reflect test year customer levels.[1] The Commission has consistently normalized operating revenues based on test year-end subscribers. In this case, the number of test year-end subscribers reflects the upgrading of multi-party service as proposed by the Attorney General. Therefore, the Commission has adjusted operating revenues by $382,891 to reflect the additional revenue that would be generated annually from the rates granted in Case No. 7925 based on the subscribers at the end of the test year.

Interest During Construction

In accordance with past policy, the Commission has adjusted operating revenues by $284,005 to include interest during construction for rate-making purposes.

Interest Expense

The Commission has increased interest expense by $221,425 to reflect the annual interest expense based on long-term debt outstanding at the end of the test year and the additional long-term debt drawn down by South Central through March 31, 1982.

Depreciation Expense

The Commission has increased depreciation expense by $42,478 based on the level of plant in service at the end of the test year. South Central has a policy of accruing depreciation on its plant at the time the facilities are placed into service. During the test year, South Central accrued depreciation expense in the amount of $148,020 on plant that was in service but not classified to the

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(1) Brief of Attorney General, May 10, 1982, page 4.

appropriate utility plant accounts. South Central implemented this accounting treatment because of delays in obtaining close-out documents. The Commission recognizes that these delays exist, and is of the opinion that for rate-making purposes such accrued depreciation should be recognized. At the end of the test period, South Central was accruing this depreciation in the amount of $18,196 per month. In determining the amount of depreciation on unclassified plant allowed herein, the Commission has annualized this amount, which results in additional depreciation of $70,332 annually.

Directors Fees Expense

South Central incurred $49,060 in directors fees during the test year. At the hearing of April 7, 1982, Mr. Clinton Quenzer, General Manager of South Central, stated that there was an abnormally high number of board and committee meetings during the test year due to the current construction program. A normal number would be 13 board meetings and 8 committee meetings. Therefore, the Commission has reduced directors fees and expenses by $6,050 to reflect the level of expense that would be incurred in a normal year.

The directors of South Central have adopted a policy of providing compensation for expenses while in attendance at association meetings. Included in the expenses is a per diem allowance of $75 per day. The Commission is of the opinion that considering the various other expenses which South Central has reimbursed, the $75 per diem allowance is excessive and unreasonable. Therefore, the Commission finds that South Central should discontinue its practice of providing this per diem allowance and has reduced directors fees by $7,725 to exclude this allowance during the test year.

Moreover, the Commission finds that South Central should amend its bylaws to comply with the provisions of KRS 279.380 for reimbursement of actual expenses only. Furthermore, the Commission is of the opinion that only reasonable costs should be reimbursed. The present bylaws provide for reimbursement to directors for first class air transportation to industry association meetings. The Commission finds that the cost of first class air transportation is not reasonable if more economical fares are available. Similarly, discretion should be used by all representatives of South Central in incurring items of expense which will be reimbursed.

Salaries, Wages and Benefits Expense

During the test year, South Central implemented a cost-cutting program that resulted in the permanent lay-off of several employees. In response to a request by the Commission submitted April 29, 1982, South Central isolated $52,678 of wage and salary costs which would no longer be incurred as a result of this reduction in employees. Therefore, the Commission has reduced South Central's test year salaries, wages and benefits expenses by $52,678 to exclude those costs.

The effect on net income of the revised pro forma adjustments is as follows:

	Actual Test Period	Pro Forma Adjustments	Adjusted Test Period
Operating Revenues	$4,864,747	$691,732	$5,556,479
Operating Expenses	3,954,041	46,357	4,000,398
Operating Income	$ 910,706	$645,375	$1,556,081
Interest on Long-Term Debt	978,850	505,430	1,484,280
Other Income (Deductions) Net	(3,438)	-0-	(3,438)
Net Income	$ (71,582)	$139,945	$ 68,363

Revenue Requirements

The Commission has consistently determined revenue requirements for telephone cooperatives based on a return on net investment rate base and a Times Interest Earned Ratio ("TIER"). The Commission determines the TIER based upon the calculation provided in the REA mortgage agreement section 5 which bases the coverage on net income before interest charges. South Central submitted a letter from the Rural Electrification Administration ("REA") showing the TIER calculation based on net operating income (before other income and deductions). South Central used this calculation in determining its revenue requirements. However, Mr. Quenzer accepted the Commission's calculation of TIER for rate-making purposes at the hearing on April 7, 1982.

The actual rate of return on South Central's net investment rate base established herein for the test year was 2.6 percent. After taking into consideration the pro forma adjustments, South Central would realize a rate of return of 4.4 percent. The Commission is of the opinion that the adjusted rate of return is inadequate and a more reasonable rate of return would be 7.8 percent. In order to achieve this rate of return, South Central should be allowed to increase its annual revenue by $1,205,881, which would result in a TIER of 1.86. The revenue allowed herein will provide net income of $1,274,244 which should be sufficient to meet the requirements in South Central's mortgages securing its long-term debt.

Sale of Customer Premises Equipment

As a part of its application in this proceeding, South Central filed a tariff covering its proposed sale of Customer Premises Equipment ("CPE"). In its brief of May 10, 1982, the Attorney General urged the Commission to restrict South Central to direct sales to its subscribers and to treat the revenues from these sales above the line for rate-making purposes.[(2)]

South Central filed a reply brief on May 24, 1982, in which it agreed with the Attorney General that the benefit of CPE sales for a cooperative utility should be considered for rate-making purposes but argued that the sale of CPE to non-subscribers is within the spirit and intent of KRS Chapter 279.

The Attorney General filed a reply on June 21, 1982, in which it maintained that South Central is prohibited from selling CPE to non-subscribers based upon the legislative intent expressed in KRS 279.310 to 279.660. The Commission finds no merit in this argument. The referenced statutes prohibit a telephone

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(2) Brief of the Attorney General filed May 10, 1982, page 13.

cooperative from providing "telephone service" in competition with a telephone company or another cooperative, or to non-rural areas unless a finding of necessity is made by the Commission. "Telephone service" is defined as ". . .any communication service whereby voice communication through the use of electricity is the principal intended use thereof. . ." KRS 279.310(3).

South Central's proposed sale of CPE to non-subscribers is outside the scope of "telephone service" as defined in KRS 279.310(3). Consequently the limitations and prohibitions contained in KRS 279.310 to 279.660 are not applicable to such sales. The Commission does have jurisdiction over these sales by authority of KRS 278 et seq.

The Commission finds that the earnings realized from sales of CPE should benefit the subscribers of the rural telephone cooperative. Furthermore, the Commission is of the opinion that the sale of CPE to non-cooperative subscribers is in the best interests of the cooperative subscribers when a net margin is realized from those sales. The Commission also finds that the cooperative subscribers are not injured when no loss on the aggregate of such sales is incurred. However, it must be recognized that any loss on such sales will require subsidy from subscribers to non-subscribers of the cooperative. Therefore, the Commission finds that the sale of CPE to subscribers as well as non-subscribers should be approved herein, contingent upon the realization of net margins from those sales or at least the avoidance of losses.

No evidence was offered as to the anticipated revenue and expense associated with the sale of CPE. Moreover, any measurement of the volume of sales of CPE would be speculative at best given the competitive nature of telephone equipment sales. Therefore, the Commission will approve the sale of CPE on a trial basis for a 6-month period to afford South Central the opportunity to show that CPE sales to non-cooperative subscribers have not resulted in losses requiring subsidies to non-subscribers.

As a further provision of the sale of CPE, the Commission finds that South Central must develop and present specific guidelines for proper cost allocations to determine the costs associated with sales of CPE. The Commission has developed certain guidelines, specified in Appendix B to this Order, which South Central may find useful in developing its allocation procedures.

The Commission will allow South Central a maximum of 4 months to develop and present these guidelines. At the end of that period, the Commission will conduct a review of South Central's guidelines to determine their reasonableness. Following that review, an Order will be issued determining the conditions under which sales, if any, may be made to non-subscribers after the expiration of the 6-month trial period. Such order may require South Central to make retroactive adjustments to its books if any allocation guideline is found to be unreasonable.

Rate and Tariff Design

Basic Local Exchange Service

In its application South Central proposed to disaggregate or unbundle local exchange service rates, establishing separate exchange service and station equipment rates. It also proposed to discontinue extension line charges and credits replacing them with applicable station set rates.

The proposal to disaggregate access line and station equipment rates is a consequence of FCC decisions in the Computer II Inquiry, sanctioning the eventual deregulation of customer premises or terminal equipment. The separation of local exchange service rate elements associated with station apparatus and access to the telephone network anticipates deregulation of terminal equipment and acknowledges the advent of competition in the sale of terminal equipment. It also benefits and protects the subscribers by reducing overall local exchange service revenue requirements and preventing a revenue subsidy to support the sale of terminal equipment. Therefore, the Commission is of the opinion that South Central's disaggregation proposal should be approved.

South Central also proposed to eliminate certain rate groups that are no longer applicable due to upgrading and conversion of several exchanges. The Commission is of the opinion that this proposal should be approved.

Charges Applicable Under Special Conditions

South Central proposed to require a power ground for mobile home installations which would involve opening a ditch 12 to 18 inches deep and 4 to 5 inches wide to accommodate a ground wire. The subscriber would have the option of arranging for the opening of the ditch or paying the utility's cost in providing this service. The National Electrical Code requires the subscriber to provide a power ground before electric service is provided. The electric meter for a mobile home is mounted on a separate pole in close proximity to the mobile home. The power ground is accomplished by running a wire from the meter to an 8-foot copper rod driven into the ground near the pole. The same rod is used for the telephone ground. While the Commission is aware that there are alternate methods of providing the power ground, it is of the opinion that South Central has failed to provide sufficient detail, cost information or other justification for this proposal. It should, therefore, be denied.

Coin Telephone Service

South Central proposed to increase the monthly exchange rates for semi-public telephone service and to institute an optional self-collection system. Coin stations are expensive, both to install and maintain, especially with the high rate of theft and vandalism. Further, the collection and processing of revenues from semi-public coin stations result in additional cost to the utility. Under this proposal, subscribers who do not choose to participate in self-collection would pay an additional monthly service fee equal to the presently approved charge for a premises visit. The Commission is of the opinion that the proposed increases in the exchange rates and monthly service fee, along with the self-collection option will result in these stations being more self-supporting and less burdensome on the local service rates, and should be approved.

Foreign Exchange Service

South Central proposed to change its foreign exchange service to concur with the South Central Bell tariff. The existing foreign exchanges would increase only by the amount that the local network access charges increase, with the major increase being in the approved installation fee used by South Central Bell. Since installation charges are specifically cost based, and such concurrence would provide benefits in ease and uniformity of rate calculations, the Commission is of the opinion that the proposal should be approved.

Key and Pushbutton Telephone Service

The monthly rates for most key equipment are at a self-supporting level; however, South Central proposed to increase the rates for some items which require frequent maintenance, to institute non-recurring installation fees on common equipment for all key systems, and to discontinue obsolete telephone answering machines, automatic dialers, and single line speaker phones. The Commission is of the opinion that the proposed increases and installation fees are cost-justified and should be approved.

In Exhibit 11 to its application, South Central indicated that subscribers prefer to purchase telephone answering machines, automatic dialers and single line speaker phones than to pay the higher rental rates necessitated by maintenance problems. The Commission is of the opinion that the proposal to discontinue this equipment is reasonable and should be approved.

Miscellaneous Services

South Central proposed to add guidelines for trap and tracing service to determine the origin of telephone calls placed to a subscriber within the utility's certificated area. This service would be provided without charge when required by court order or at the request of local law enforcement agencies in the event of a life-threatening emergency. An advance fee of $50 would be charged any other subscriber requesting this service. The Commission realizes this is a service which could easily be abused and believes guidelines should be established to assure that adequate and applicable information is received upon which to determine the need for the trap and tracing services requested; however, South Central did not provide cost information or other justification for the fee to be charged the subscriber requesting this service. This charge should, therefore, be denied.

Mobile Telephone Service

South Central's present tariff provides a single basic rate for mobile telephone service when the utility furnishes and maintains the unit. Three types of mobile phones are available, and

South Central proposed to establish a separate rate for each type. This proposal is consistent with Commission policy in that it more closely correlates the cost of service with the service provided and should be approved.

Summary

The Commission, after consideration of the evidence of record, finds that:

(1) The rates and charges in Appendix A will produce gross annual operating revenue of approximately $6,762,360, including concession rates of $24,836 and interest during construction of $284,005, and are the fair, just and reasonable rates and charges to be charged in that they will allow South Central to pay its operating expenses, service its debt and provide a reasonable surplus for equity growth.

(2) The rates and charges proposed by South Central, insofar as they differ from those in Appendix A, should be denied.

(3) South Central's policy for reimbursement of expenses to directors while attending association meetings should not be allowed. South Central should amend its bylaws so that they are in compliance with the Kentucky Revised Statutes.

(4) South Central should be given a period of 4 months to develop specific cost allocation procedures, and these procedures should be filed with the Commission for review.

(5) South Central's proposed disaggregation of local exchange service rates and station equipment and discontinuance of extension line charges should be approved.

(6) South Central's proposed power ground requirement for mobile homes should be denied.

(7) South Central's proposed charges and self-collection system for semi-public coin stations should be approved.

(8) South Central's proposed concurrence with South Central Bell's foreign exchange service tariff should be approved.

(9) South Central's proposed institution of non-recurring installation fees on common equipment for all key systems and discontinuation of obsolete telephone answering machines, automatic dialers, and single line speaker phones should be approved.

(10) South Central's proposed trap and tracing service guidelines and charge for subscriber-requested trap and tracing should be denied.

IT IS THEREFORE ORDERED that the proposed rates and charges in South Central's application, insofar as they differ from those in Appendix A, be and they hereby are denied.

IT IS FURTHER ORDERED that the rates and charges in Appendix A be and they hereby are approved for telephone service rendered by South Central on and after July 1, 1982.

IT IS FURTHER ORDERED that within 30 days of the date of this Order, South Central shall file its revised tariff sheets setting forth the rates and charges approved herein.

IT IS FURTHER ORDERED that within 30 days of the date of this Order, South Central shall file a copy of its amended bylaws setting forth its policy for reimbursement of directors expenses approved herein.

IT IS FURTHER ORDERED that South Central's proposed disaggregation of local exchange service and station equipment rates and discontinuance of extension line charges be and they hereby are approved.

IT IS FURTHER ORDERED that South Central's proposed power ground requirement for mobile homes be and it hereby is denied.

IT IS FURTHER ORDERED that South Central's proposed charges and self-collection system for semi-public coin stations be and they hereby are approved.

IT IS FURTHER ORDERED that South Central's proposed concurrence with South Central Bell's foreign exchange tariff be and it hereby is approved.

IT IS FURTHER ORDERED that South Central's proposed nonrecurring installation fees on common equipment for all key systems and discontinuation of obsolete telephone answering machines, automatic dialers, and single line speaker phones be and they hereby are approved.

IT IS FURTHER ORDERED that South Central's proposed trap and tracing guidelines and charge for subscriber-requested trap and tracing services be and they hereby are denied.

Done at Frankfort, Kentucky, this 1st day of July, 1982.

PUBLIC SERVICE COMMISSION

Marlin M. Volz
Chairman

Katherine Randall
Vice Chairman

[illegible signature]
Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 8433 DATED JULY 1, 1982.

The following rates and charges are prescribed for customers in the area served by South Central Rural Telephone Cooperative Corporation, Inc. All rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the date of this Order.

LOCAL EXCHANGE SERVICE

Group A		Deleted
Group B Exchanges Included:		
Bonnieville Buffalo Canmer Cave City	Center Hiseville Horse Cave Magnolia	Summer Shade Temple Hill
BUSINESS Type Service	2-Party	4-Party
MONTHLY CHARGE	$ 22.00	$ 18.75
RESIDENCE Type Service	2-Party	4-Party
MONTHLY CHARGE	$ 14.75	$ 14.00

Block A
Exchanges Included:

Bonnieville
Buffalo
Magnolia

Type of Service	Business One-Party	Residence One-Party
MONTHLY CHARGE	$ 27.20	$ 18.00

Block B
Exchanges Included:

Canmer	Horse Cave
Center	Munfordville

Type of Service	Business One-Party	Residence One-Party
MONTHLY CHARGE	$ 27.60	$ 18.30

Block C
Exchanges Included:

Edmonton	Hiseville
Fountain Run	Summer Shade
Gamaliel	Temple Hill

Type of Service	Business One-Party	Residential One-Party
MONTHLY CHARGE	$ 28.00	$ 18.60

Block D
Exchanges Included:

Cave City
Glasgow
Lucas

Type of Service	Business One-Party	Residential One-Party
MONTHLY CHARGE	$ 28.40	$ 18.90

DIRECTORY LISTING

Additional listings, per line of information requested by customer.

	Monthly Rate
Regular Additional Listings, each	$ 1.25
Duplicate and Cross Reference, each	1.25
Alternate Call Number Listings, each	1.25
Foreign Exchange Listings, each	

The rate for foreign Company listing will be the rate applicable in the directory where the listing appears.

	Monthly Rate
Temporary Listings, each	$ 1.25
Office Hour Listings, each	1.25
Dual Name Listings	
1. Primary Service Listing, each	1.25
2. Additional Listing, each	1.25
Unlisted Number, each	1.05
Non-Published Number, each	2.00
Indented Listings, each	1.25
Caption Listings, each	1.25

COIN TELEPHONE SERVICE

Semi-Public Telephone Service

A. Monthly Exchange Rates

Monthly Rate
Group A $30.40

Exchanges Included:

Bonnieville	Horse Cave
Buffalo	Magnolia
Canmer	Munfordville
Center	

Monthly Rate
Group B $31.40

Exchanges Included:

Cave City	Hiseville
Edmonton	Lucas
Fountain Run	Summer Shade
Gamaliel	Temple Hill
Glasgow	

In consideration of the additional expenses incurred by the Company for collection of revenue, the subscriber will be provided with materials and instructions for self-collection of monies from the semi-public telephone. The subscriber will keep all monies from the semi-public telephone and be responsible for payment in full of the local service and toll charges incurred on his or her pay-station. If the subscriber does not wish to participate in self-collection, the Company will collect the revenue and process the bill. In this case only, the subscriber will be charged an additional monthly rate for premises visit and handling, as follows:

Semi-Public Telephone Monthly Service Charge	$13.40

FOREIGN EXCHANGE (FX) SERVICE

Concurrence

South Central Rural Telephone Cooperative Corporation hereinafter called the concurring utility, assents to, adopts and concurs in the Foreign Exchange Service and Foreign Central Office Service Tariff, filed with the Kentucky Public Service Commission by South Central Bell Telephone Company, hereinafter called the issuing utility, as such tariff now exists or as it may be revised, added to or supplemented by superseding sheets or issues, for Foreign Exchange services furnished by the issuing utility and concurring utility, and hereby makes itself a party thereto and obligates itself to observe each and every provision thereof.

Exceptions

According to the issuing utility, the foreign termination determines the local service rate. If a foreign exchange terminates in the concurring utility's certificated area, the base rate will be the local service rate as described in Section C of this tariff. The base rate will apply to terminations within a one mile radius of the Central Office building of the exchange in which the foreign exchange exists. For terminations beyond this one mile radius, there will be an additional charge per 1/4 mile by aerial route as follows:

Mileage Charge per 1/4 mile beyond Base Rate Area	$1.45

KEY AND PUSHBUTTON TELEPHONE SERVICE

Type 501 or Equivalent:	Monthly Rate	Installation Charge
Each trunk at 1 and 1/2 times the one-party bus. rate ... Sec. "C"		
Common Equipment:		
Up to six trunks		$ 20.00

Type 512 or 684 or Equivalent	Monthly Rate	Installation Charge
Each trunk 1 1/2 times the one-party business rate ... Sec. "C"		

Common Equipment:

Up to 13 trunks		$ 30.00
14-19 trunks		30.00
20-25 trunks		30.00

Customer Engineered Type 36-A or Equivalent

	Monthly Rate	Installation Charge
Common Equipment:		
Up to 12 trunks		$ 40.00
13-16 trunks		40.00
17-20 trunks		40.00

Optional System Feature	Monthly Rate	Installation Charge
Conference Add on	$ 2.00	

Optional Key Telephone Equipment:

Speaker Phones:	Monthly Rate	Installation Charge
Companion II used on all key sets except Logic Series	$ 10.00	
Companion III used on Logic Series	10.50	

PRIVATE BRANCH EXCHANGE SERVICE

PBX Trunk Rate

Line provided as PBX trunks will be charged at 2 times the one-party business rate (See Section "C").

Charge for key trunks that employ PBX extension line is 1/2 the business one-party rate. (Section C)

MISCELLANEOUS SERVICES

Additional Telephone Instruments

No additional monthly charge for extending service to provide additional telephone instruments shall apply unless the subscriber leases the instruments from the Company or unless off-premises service charges apply.

Off Premises - Bridge Service

Mileage $1.45 per 1/4 mile - minimum charge of $2.90

Bridged Service $1.50

Rotary Line Service

The rate for a rotary line is $.75 per rotary feature.

Subscriber Transfer Service	Monthly Rate	Installation Charge
Customer Transfer Service including Key	$ .50	No Charge

AUXILIARY EQUIPMENT

Company Leased Telephone Instruments

Standard Lease Offerings

The single line telephones that the Company will offer to the Subscriber for lease are industry standard 500 type desk and 554 type wall telephones, rotary and pushbutton dial, in at least one of the following colors: black, beige, ivory, white, green, brown, or gold.

Rates-The following charges are for a Standard Lease Telephone Instrument with rotary dial. Instruments with pushbutton dial will have other charges applied in this section of the tariff. Charges will be per instrument and in addition to the network access charge.

	Monthly Rate
Residence	$ 1.50
Business	2.00

Signaling Equipment

Bells, Gongs, Chimes, and Horns

	Monthly Rate
Extension Bell - ordinary type, each	$ 1.00
Extension Bell - loud ringing type, each	1.50
Bell Chimes for ringing device, each	2.00
Electronic Ringer	Deleted

Toll Restrictor Tel-Touch Pad

Monthly recurring rate	$ 4.00

CONNECTION WITH CERTAIN FACILITIES AND/OR EQUIPMENT OF OTHERS

Credit for Customer-Provided Telephone Apparatus	Deleted

MOBILE TELEPHONE SERVICE

Where Company furnishes and maintains unit

	Monthly Rate
T1279AH Type Mobile Phone	$75.00
Pulsar 1 Type Mobile Phone	85.00
Pulsar 100 Type Mobile Phone	95.00
Where Subscriber furnishes and maintains unit	50.00
Where Company maintains subscriber's unit	Deleted
Relay control equipment for a customer owned auxiliary horn or lamp signal for cars, trucks or trailers	3.00

METROPOLITAN PAGING SERVICE

Rental of Mobile Paging Equipment

	Monthly Rate
Tone and Voice	$21.00

OBSOLETE SERVICE OFFERINGS

Equipment and Charges

555 Cordboard Monthly recurring charge	$ 43.90
Ericafon Phone Monthly recurring charge	.70
Panel Phone Monthly recurring charge	.90
Cinderella Phone Monthly recurring charge	.70
Empress Phone Monthly recurring charge	3.10
Continental Phone Monthly recurring charge	1.40
Early American Phone Monthly recurring charge	3.10
Candlestick Phone Monthly recurring charge	3.10
Mickey Mouse Phone Monthly recurring charge	3.10
Chest Phone Monthly recurring charge	3.10
502 Exclusive Phone Monthly recurring charge	2.45
Trendline Phone Monthly recurring charge	1.75
Contempra Phone Monthly recurring charge	1.75
Dawn Phone Monthly recurring charge	2.00
Mini-Wall Phone Monthly recurring charge	.00
500 and 554 Type Single Line Telephones in Non-Standard Colors as Described in this Tariff	.00

Three-Line Desk Rotary Monthly recurring charge	$ 5.25
Three-Line Pushbutton Monthly recurring charge	6.30
Three-Line Wall Rotary Monthly recurring charge	5.25
Three-Line Wall Pushbutton Monthly recurring charge	6.30
Three-Line Common Equipment Monthly recurring charge	10.85
Three-Line System Intercom Rotary Monthly recurring charge	5.60
Three-Line System Intercom Pushbutton Monthly recurring charge	14.00
Two Line Telephone	.50
Tele-Dialer 32	12.00
Telephone Answering Machines	
Type 222	15.00
Type 333	20.00
Type 555	25.00
Companion 1 Handsfree Speakerphone	10.00
Dial Lock	.50

DIRECT SALES OF EQUIPMENT

General

This Tariff identifies conditions under which terminal equipment and wiring will be sold by the Company.

This Tariff will apply to business and residential customers, and will apply to single as well as multi-line systems.

Definition of Terms

Premises Wiring - refers to wire or cable that extends from the Company's demarkation device, located within a structure owned or leased by the customer, to each individual telephone instrument or communication device.

Connecting Device - refers to jacks, connecting blocks, or other connection devices which facilitate connection of the telephone instruments, or other communication device, to premises wiring.

Demarkation Device - refers to a jack, connecting block, or other communication device installed behind the Company's network protector, and ahead of premises wiring. This device will be used as a test point to determine if reported trouble is occuring on the Company's local or toll network, or within the system owned by the customer.

Customer Owned System - refers to entirety of the system owned by the customer, and includes premises wiring, connecting devices, instrumentalities, switching systems, or other communication devices.

Switching System - refers to any common control devices (including but not limited to key systems, PBX, and Centrex equipment) which offer a variety of enhancements to basic telephone service, and make local network service available to a larger number of instrumentalities or other devices.

Maintenance Charges - refers to charges made by the Company for parts and labor, and reasonable overhead expense for maintenance performed on a customer owned system. These charges would apply each and every time a customer uses the services of the Company.

Maintenance Contract - refers to a monthly recurring charge for all maintenance service on a customer owned system. Contract would provide one monthly charge regardless of the number of visits made, repair work done, or parts used. Contracts for maintenance may be limited to labor, parts, or availability of the Company to provide maintenance, and can be tailored to customer needs.

Scope of the Direct Sale Program

It is recognized by the Company that customer ownership of telephone equipment may be desirable and advantageous to the customer, but it is also recognized that to some customers leasing may be more desirable. Therefore, it is policy of the Company to offer to the customer the option to own or lease the desired system. Those customers who elect to own systems will be bound to the rules and regulations of the Company contained in Section G of the Tariff.

General Regulations on Customer Owned Systems

All equipment owned by the customer must conform to Part 68 of FCC Regulations concerning customer provided equipment.

All instrumentalities, and other communications devices must be registered with the FCC, under Part 68, or be grandfathered by Part 68, and the registration number should be given to the Company by the customer prior to installation of such equipment. Equipment sold to the customer by the company, which is already registered is exempt from the reporting requirement.

Provided that equipment owned by the customer meets all FCC requirements, no special protection devices or couplers will be required, except for demarkation devices which will be outlined in another section of this Tariff.

All customer owned equipment, or customer owned systems shall be maintained at the customer's expense unless the customer has signed a maintenance contract with the company, in which case the maintenance contract will cover all or part of the maintenance associated with the equipment owned by the customer. If no maintenance charge is in effect, the customer may elect to either bring the defective unit to the Company's premises to make repairs, or may request that the Company come to the customer's premises to make repairs. In both of these cases maintenance charges described elsewhere in the Tariff will apply.

Should a customer report trouble to the Company and should it be determined when a repair call is made to the premises of the customer that the trouble is in the customer owned system, the customer will be advised that the trouble has been isolated to his system. A premises visit charge will apply. If after the customer is informed that the trouble is in his equipment, the customer wishes the Company to perform repairs, all labor and parts will be charged to the customer as outlined in Maintenance Charges described elsewhere in the tariff. These charges will be made in addition to the premises visit charge.

If a customer owned system is introducing trouble into the local network of the Company, and such trouble is affecting the service of others, the company may temporarily disconnect such customer owned system or equipment until needed repairs can be made.

Demarkation Devices

It is the policy of the Company, when either a residential or business customer elects to purchase all terminal equipment and wiring on his premises, that the customer will be required to purchase at cost from the Company a demarkation device. This device will be used either by the Company or the customer as a testing point to determine if the trouble is in the Company's local network or in the customer owned system.

Cost of the demarkation device will be equal to the actual cost of the component and labor to install it. Cost of this device will either be included in the system, or billed to the customer as a one-time, non-recurring charge.

The type of demarkation device required will be determined by the Company depending on the size of the system or the application involved.

Other Rules and Regulations

Any customers who elect to purchase their own systems or equipment are bound by all other applicable rules and regulations contained in other sections of this Tariff.

Any other State or Federal Regulations with respect to customer ownership are also binding when applicable.

Premises Wiring

All premises wiring for single line business and residential customers will be provided by the Company, the cost of which is included in Section D of this Tariff. No other additional charges will apply, except when unusual requests by the customer create additional and unusual cost to the Company, in which case the cost of the wiring will be negotiated with the customer prior to work being performed.

Premises wiring on multi-line systems being purchased by the customer will be negotiated in the contract price for the system.

All installation and service connection fees outlined in other sections of this Tariff will apply when the customer wishes the Company to install a multi-line system owned by the customer.

Maintenance Charges

Should a customer who has purchased his own system decline a maintenance contract for a customer owned system, he will be charged an amount equal to the cost of labor, overhead, and a reasonable profit. Overhead will include vehicle cost, fringe benefits, cost of supervision, cost of administration, and other incidental expense associated with the maintenance activity.

Charges for maintenance will be in addition to any premises visit charges described in this Tariff.

Maintenance Contracts

The customer may elect at his option to contract with the Company for maintenance of customer owned systems or equipment.

Should the customer elect this contract, there will be a monthly recurring charge for this service which will cover normal routine maintenance of his system during the life of the contract.

Maintenance contract amounts will be established by determining the historical failure rate of such equipment or systems and will include anticipated hours of maintenance and associated cost, plus overheads, plus parts, plus a reasonable profit.

Maintenance contracts will be negotiated with and approved by the customer prior to the contract becoming effective. Contracts will be negotiated for a specific length of time, but may be cancelled at any time or extended by mutual consent of the parties.

Charges for Customer Owned Systems and Terminal Equipment

Charges for direct sale of equipment will be negotiated with the customer prior to the installation of the equipment.

Individual items will be sold to the customer on a retail basis. Systems of equipment will be sold under a sales agreement that includes all equipment, cable, wire and installation.

Other than the cost to purchase and maintain customer owned equipment, the only charges the customer is obligated to pay to the Company are the applicable local service charges defined in Sections C, J or K of this Tariff.

APPENDIX "B"

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 8433 DATED JULY 1, 1982.

COMMISSION GUIDELINES

(a) The allocation of employee time should be based either on an accounting of all time, or in the alternative, that the proposed process be reversed. Time studies would be used to allocate time spent in the sale of CPE, with all other time, including idle time, being charged to the other portion of the business;

(b) Any costs of training or hiring new personnel prior to this Order should be fully allocated to the sale of CPE;

(c) A minimum monthly rental of warehouse, business office, and retail outlet space should be charged to the sale of CPE, with additional rental insurance, security, and costs of site selection and negotiation charged based on sales revenues, according to current leasing prices and practices;

(d) Phonecenter promotional advertising costs should be allocated to the sale of CPE.

(e) Financing costs of potential deferred instrument payment plans should be allocated to the sale of CPE.

(f) Where doubt of proper cost allocation exists, the allocation should be made to the sale of CPE.

(g) Subaccounts under Miscellaneous Income-Account 316 should be kept in sufficient detail to show the following categories of expense with respect to the sale of non-tariffed equipment:

1. Canvassing and demonstrating for the purpose of selling or leasing CPE.
2. Demonstrating and selling activities in sales room.
3. Installing leased or subscriber-owned equipment.
4. Preparing advertising materials for lease or sale of CPE.
5. Receiving and handling orders for the sale, lease, installation and maintenance of subscriber-owned or leased telephone equipment.
6. Cleaning and tidying sales rooms.

7. Maintaining display counters and other equipment used in telephone equipment merchandising.
8. Arranging merchandise in sales rooms and decorating display windows.
9. Reconditioning repossessed and returned equipment.
10. Bookkeeping and other clerical work in connection with telephone equipment sales and leasing activities.
11. Supervising telephone equipment sales and leasing activities.
12. Repair and maintenance of subscriber-owned or leased equipment.
13. Advertising in newspapers, periodicals, radio, television, etc.
14. Cost of merchandise sold and of materials used.
15. Stores expenses on non-tariffed telephone equipment stocks held for sale or lease.
16. Fees and expenses of advertising and commercial artists' agencies.
17. Printing booklets, dodgers, and other advertising data.
18. Premiums given as inducement to buy or lease telephone equipment.
19. Light, heat and power.
20. Depreciation on equipment used for installation, repair or maintenance of subscriber-owned or leased telephone equipment.
21. Rent of sales rooms or of equipment.
22. Transportation expense in delivery and pick-up of subscriber-owned or leased equipment.
23. Stationery and office supplies and expenses.
24. Losses from uncollectible accounts associated with the sale and lease of telephone equipment.
25. Any other pertinent categories of expense.